

# Assessment verses Market Value

In an update year, assessments as of April 1<sup>st</sup> should be fairly representative of market value. Because sales are based on emotional likes and dislikes of buyers, there is no one right number, but rather a range of numbers depending on the negotiations and motivations of the buyers and sellers involved in a transaction. Industry standard indicates 10% plus or minus is reasonable as multiple appraisers and/or assessors giving an opinion of market value of the same property will vary lowest to highest by +/- 10% because it is an opinion and essentially subjective.

Due to the recent decline in the real estate market, taxpayers for the first time, in a long time, are seeing their assessments higher than what they could sell their property for (market value). This in and of itself does not invalidate the assessments or indicate they are wrong or unfair when accounting for the total assessment to sales ratio.

Every year the State of New Hampshire, Department of Revenue Administration (DRA) calculates an equalization ratio. This ratio represents the difference between the assessments and the market transactions (sales). The following example will help you decide if your assessment is fair:

*I live in Anytown, NH. For April 1, 2008, the DRA published the median ratio for my town at 1.15% and the assessment on my home is \$ 300,000. Similar homes to mine are selling today (November 2008) for \$ 250,000. It would appear that I am over assessed, but am I?*

*To determine the indicated market value of my home, I must take the assessment of \$ 300,000 and divide it by the ratio of 1.15% which produces an indicated market value of \$ 260,870 as of April 1, 2008. This number is higher than the November sales of \$ 250,000, but still provides some level of confidence that the assessment is fair and equitable as it is within 10%. If homes are selling at \$ 250,000 and yours is very similar and your equalized assessment (assessment divided by ratio) is within 10% (\$ 225,000 to \$ 275,000), then your assessment would appear reasonable.*

As long as all properties are being assessed similarly, the assessments, even if they are higher than the current market value are fair and equitable because everyone is being treated the same. As such, to reduce all assessments to the current real estate market or bring assessments back to 100% would not shift tax burdens as the tax rate would have to increase to meet the same budgetary needs.

Assessments are arrived at, as of a certain day (April 1<sup>st</sup> in New Hampshire) of a given year. However, the real estate market is constantly fluctuating making comparisons of assessments and sales vary difficult for the average taxpayer.

Here in Litchfield, the 2007 rate was 1.07 and the indicated ratio for 2008 will be about 1.13% based on sales data as of August 2008. The actual ratio may be slightly different.